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NEWS RELEASE

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Promoter Accused of Investment Fraud with Government Contracts

Investor gives \$150,000 to fund projects that don't exist ...

SALT LAKE CITY, Utah – The Utah Division of Securities today issued an Order to Show Cause against Blacksmith Management Group of Salt Lake and its president, Bennie Smith, Jr. Smith is currently believed to be living in Arizona. The Order accuses Smith and Blacksmith of taking \$150,000 from an investor for government contracts that did not exist.

The Order alleges that Smith told an investor he had acquired a confidential government contract in Ohio and needed \$8,000 to purchase a trailer and several computers. The investor sent the money in March 2002. Later, an additional \$35,000 was invested. Smith promised the investor 10% interest on the money invested and said the investment was secured by Las Vegas property worth \$2.5 million, which was free of any liens. In 2003, the Las Vegas property was foreclosed to pay at least \$1.2 million in outstanding debt on the property.

Shortly thereafter, Smith told the investor he had obtained a secret government contract in Houston that would make millions and he would be able to repay her investment. Because it was a secret government project, Smith said he could not disclose details of the contract.

In January 2004, Smith told investor he had obtained a contract to manufacture 50,000 doors in Florida and needed \$75,000 to purchase equipment. He showed the investor a business plan for the project and promised 10% interest on the investment. The investor borrowed the money from the bank, using the equity in her home. For both investments, Smith and Blacksmith paid only \$9,000 in interest.

Smith and Blacksmith are accused of lying to the investor when saying Smith had obtained a door manufacturing contract and a secret government contract in Texas, that the property in Las Vegas was worth \$2.5 million and had no liens, and that the first investment would be used to purchase a trailer and computers – when, in fact, it was used to pay personal expenses. The Division also alleges that the securities were unregistered.

The Order to Show Cause seeks imposition of a cease and desist order and \$275,000 in fines. A hearing will be held in September to consider the Division's allegations.

Investors are urged to contact the Division to make sure anyone offering investments is licensed. 801.530.6600, or toll free at 1.800.721.7233. www.securities.utah.gov.